Minutes
North Dakota Public Employees Retirement System
Thursday, September 28, 2000
Fort Totten Room
State Capitol
Bismarck, ND
8:00 A.M.

Members Present:	Mr. Joseph Maichel, Chairman Mr. Weldee Baetsch Mr. David Gunkel Mr. Ron Leingang Mr. Howard Sage Mr. Murray Sagsveen Ms. Rosellen Sand
Others Present:	Mr. Sparb Collins, Executive Director NDPERS Ms. Kim Humann, NDPERS Ms. Sharon Schiermeister, NDPERS Ms. Deb Knudsen, NDPERS Ms. Kathy Allen, NDPERS Mr. Bryan Reinhardt, NDPERS Mr. Scott Miller, Attorney General's Office Mr. Steve Cochrane, NDRIO Ms. Fay Kopp, NDRIO Ms. Sue Tibiatowski, BCBS Mr. Larry Brooks, BCBS Ms. Chris Runge, NDPEA Ms. Shirley Seher, NDPEA Retiree Coordinator Mr. Howard Snortland, AFPE Mr. Ken Tupa, INDSEA & AFPE Ms. Nancy Kopp, ND Optometric Association Mr. David Peske, ND Medical Association Mr. Galen Jordie, NDPLA Mr. Michael Carter, Watson Wyatt

Chairman Maichel called the meeting to order at 8:00 a.m.

MINUTES

Chairman Maichel called for any questions or comments regarding the minutes of the August 31, September 7 and September 15 meetings.

MR. SAGE MOVED APPROVAL OF THE MINUTES AS SUBMITTED. MR. GUNKEL SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel
Nays: None

PASSED

RETIREMENT

Fidelity DC Review

Included with the board materials was a report on the Defined Contribution plan for the period ending July 31, 2000, prepared by Fidelity Investments. This report is on file at the NDPERS office, located at 400 E Broadway, Suite 505, in Bismarck. Staff will periodically request this report from Fidelity and supply it to the Board. Mr. Collins conveyed he felt additional investment education needs to be provided to members. Discussion followed. This item was informational only and required no action by the Board.

Fidelity Freedom Fund

Mr. Collins indicated Fidelity Investments opened a new Fidelity Freedom Fund 2040. This fund is for a participant who is expecting to retire in 2040. The Fidelity Freedom Funds are funds designed to allow a participant to select a single fund that will have an asset allocation that changes over time to meet their retirement needs. Staff recommended approving the addition of the Fidelity Freedom Fund 2040 to the Defined Contribution plan.

MR. SAGE MOVED APPROVAL OF THE FIDELITY FREEDOM FUND 2040 FOR THE DEFINED CONTRIBUTION PLAN. MS. SAND SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel
Nays: None

PASSED

DC Actuary Review

Mr. Michael Carter, from Watson Wyatt, provided a detailed overview of the Defined Contribution actuarial review. This report is on file at the NDPERS office, located at 400 East Broadway, Suite 505, in Bismarck, ND. The proposal studied was what would be the impact of allowing all state employees to elect the optional Defined Contribution plan. The proposal would affect the main system plan only, and does not apply to political subdivisions, judges, highway patrol or air national guard employees.

The purpose of this study was to:

- Determine how the existence of an optional Defined Contribution plan would affect future Defined Benefit plan funding level and margin.
- Compare the results to projection with Defined Benefit plan only.
- Determine whether a 4.12% employer contribution rate will continue to be adequate for the Defined Benefit plan.

Mr. Sage inquired why the actuarial assumption rate of 8% was used rather than using the greater asset allocation rate of return. Mr. Carter indicated they tried to minimize gains and losses occurring in the model itself. He pointed out that they built the model with the ability to change the rates of return. Mr. Collins indicated the asset allocation was designed with a 9.9% return. The difference between the 8.0% and the 9.9% could potentially help meet the Board's goals for a multiplier of 2.00, and a 2% annual ad hoc Cost of Living Adjustment (COLA). Mr. Carter indicated the goals were not modeled in the system and would have increased the liability. The projections were run twice. It was run once assuming that the Defined Benefit plan remained the only plan. It was then run with the Defined Benefit plan and the optional Defined Contribution plan in place. In doing so, the election rates were developed for both current employees and future employees. The election rates were a key assumption for this analysis.

Mr. Carter reviewed the key assumptions used in the study were:

- Election rates for current members based on election rates for non-classified members.
- Election rates for future members are the same as rates for members with 0-4 years of service.
- Used current assumptions as adopted by Board.
- Assumed total active membership would remain constant.
- No change to the Defined Benefit plan.
- Defined Contribution plan contributions remain 4.00% (member) and 4.12% (employer), even if Defined Benefit plan requires increase in Defined Benefit contribution rate.
- To determine actuarial value of assets for Defined Benefit plan, they assumed interest and dividend yield was 3.0% of market value, and balance of annual return was in realized and unrealized gains and losses.

The following are some of the key results for the Defined Benefit plan only:

- Population remains constant.
- Payroll grows at a 3.6% average rate increase.
- Assets grow at the 8% assumption rate. They did not build in any benefit enhancements to the model.
- Plan stays overfunded throughout period. Funded ratio improves from 110% in 1999 to 146% at 2020.
- Margin exceeds 10.00% by 2020.

Mr. Carter explained the results indicated that in the absence of benefit improvements to the Defined Benefit plan, there would not be a material adverse impact from the optional DC plan. Mr. Carter felt this result was being driven by three factors:

1) PERS is well funded.
2) Not spending the available margin in the Defined Benefit plan.
3) The program, as it is being proposed, is only affecting approximately 60% of the membership.

The findings of the report conclude that:

- ❖ Contribution rate can remain at 4.12% with or without optional DC plan.
- ❖ Plan remains overfunded in either case, and funded ratio continues to improve.
- ❖ Margin continues to increase.
- ❖ Negative cash flow does not create an asset allocation problem (other than in the year the optional transfers occur).

Mr. Carter pointed out the following caveats and concerns from the report findings:

- ❖ The results assume that the optional Defined Contribution plan will not be extended to political subdivisions. This dampens the effects of allowing member choice.
- ❖ The report did not reflect any future benefit changes to the Defined Benefit plan. The existence of the optional Defined Contribution plan may affect the ability of PERS to pay for these from existing margin.
- ❖ Heavier election rates by current or future members could change the picture.

Discussion followed. Mr. Collins indicated the Legislative Employee Benefits Committee was scheduled to meet on October 10. At that time this study and all technical comments will be reviewed. Mr. Collins inquired what direction the Board would like to take on the actuarial valuation and if there were any additional questions they would like to have addressed. If so, when could Watson Wyatt have the results available. Mr. Carter indicated it would be unrealistic to do before October 10. To include additional benefit modifications they would need clarification regarding if the COLA would be viewed as automatic prefunded or ongoing ad hoc. Mr. Carter felt that the current margin was not large enough to support a multiplier of 2.00 and a 2% automatic COLA. Mr. Collins conveyed it is the Board's goal that by August 1, 2001 a multiplier of 2.00 will be implemented and the retirees would receive a 6% cost of living adjustment. The goal after 2003 would be to give the retirees a minimum of a 2% minimum cost of living adjustment every year thereafter. Discussion followed. Ms. Sand suggested running a report for the following: 1) multiplier of 2.0; automatic 2% COLA starting in 2005; and without the political subdivisions and 2) multiplier of 2.0; automatic COLA starting in 2005; for all employees.

Mr. Carter indicated the model would assume a multiplier of 2.0 on August 1, 2001 with a 6% ad hoc increase. The model would assume on August 1, 2003 and August 1, 2004 there would be a 2% ad hoc increase. In August 1, 2005 the model would have the multiplier of 2.0 with a 2% automatic COLA. There would be a model for state employees only and a second model with state employees and political subdivisions. The model would start with the 8% assumption rate. What the model would indicate is whether this is possible at 8% and, if not, indicate what investment return would be necessary to make it possible. Mr. Carter pointed out report will show: 1) If the goal is achievable by 2005 with or without additional investment return, 2) If the ability to achieve the goal changes if an optional Defined Contribution plan is available for state employees, 3) If the goal is achievable if the optional Defined Contribution plan is expanded to state employees and political subdivisions. Discussion followed. Mr. Carter requested time to consult with his office regarding timing and price of the additional request and would report back later in the meeting.

FICA Tax

Mr. Miller conveyed the IRS was meeting in Minneapolis on October 3 concerning how they would be handling the pickups relating to FICA taxation. Ms. Fay Kopp, RIO, checked whether or not it would be beneficial to attend the meeting. Her findings concluded that the IRS would not be making a final determination at this meeting. The information relayed back to Ms. Kopp was that the IRS would be presenting the issue to this conference, identifying some of the issues they are resolving. Ms. Carol Calhoun would be contacting a Congressional delegation contact person regarding information he had received from the IRS. Included with the board materials was proposed legislation that would change the PERS retirement statute for not only the Main system, but also the National Guard and Judges systems as well. The change would provide that there would be two types of retirement plans. One being a contributory plan and the second being a non-contributory plan. Plans, such as the State of North Dakota, that have in the past used the FICA tax methodology that the IRS is taking exception to, would now be a part of the non-contributory retirement plan. Being in that plan would mean there would no longer be any employee contribution to the plan (except for Judges where it would be reduced from 5% to 1%) but rather all contributions would be employer contributions. The contributory plan would continue to be maintained for those political subdivisions that now have the employee pay a part of the contribution; their methodology is not at issue with the IRS. By maintaining the contributory plan option, the change could be made for those employers that presently have an issue under the IRS provision, but at the same time continue to allow employers that do not continue to be able to assess their employee's contribution. Mr. Miller indicated that Ms. Carol had also reviewed this legislation. She pointed out that all of the pickup language should not be removed because there may still be a pickup, but it would be subject to FICA pickup for the political subdivisions.

Mr. Collins conveyed that should the Board decide this is an appropriate option, the next step in the process would be to seek approval from the Legislative Employee Benefits Committee for late filing of this bill. Subject to their approval, staff would file the bill with them and present it on October 10. The next step would be to request The Segal Company to conduct the actuarial and technical review of the bill. However, since this change is important for the retirement plan, staff suggested seeking additional comments on the bill from Watson Wyatt since they offer a different perspective of these particular regulations. Discussed followed. Staff recommended submitting the proposed bill to the Legislative Employee Benefits Committee.

MR. GUNKEL MOVED TO AUTHORIZE STAFF TO MOVE FORWARD WITH THE PROPOSED LEGISLATION AND TO REQUEST WATSON WYATT'S REVIEW OF THE PROPOSED BILL FOR THEIR OPINION OF ITS IMPACT. MS SAND SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Maichel
Nays: None
Absent: Sagsveen

PASSED

DEFERRED COMPENSATION

Nationwide

Included with the board materials was a letter from Nationwide following up on their meeting with the Board. The letter indicated they would be addressing the transfer issues in the future. Staff will continue to monitor this situation and report back to the Board if additional issues arise. This item was informational only and required no action by the Board.

GROUP INSURANCE

Health Insurance Renewal

Chairman Maichel inquired if the Board would like to go into Executive Session to discuss the contract negotiations with Blue Cross Blue Shield of North Dakota (BCBSND). By general consensus, the Board agreed an Executive Session would not be necessary. Mr. Collins distributed and provided an overview of a proposal from BCBSND. Discussion followed.

MR. SAGE MOVED TO ACCEPT THE HEALTH INSURANCE PROPOSAL FROM BCBSND. MR. GUNKEL SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Chairman Maichel
Nays: Sand
Absent: Sagsveen

PASSED

BCBS Newsletter

Included with the board materials was a copy of the *Health Care Discussions* newsletter from BCBSND. BCBSND will be including PERS in the mailing list for this newsletter. This item was informational only and required no action by the Board.

Formulary

Ms. Allen indicated in August, BCBSND sent letters to all its lines of business and participating healthcare providers notifying them that several classes of drugs would be removed from the formulary. Effective October 1, 2000, new prescriptions for these drugs would be reimbursed as non-formulary. Subscribers already using these drugs would be allowed refills at the formulary level through December 31, 2000. Currently, the NDPERS Plan reimburses formulary drugs at the same level as non-formulary drugs. There is a $10 co-payment and 25% coinsurance. Therefore, NDPERS members would not experience any increased cost share amounts because of this policy. However, the three proposed alternative plan designs for the 2001-2003 contract period do differentiate on the co-payment and coinsurance amounts for formulary and non-formulary drugs. If one of these alternatives is selected, our members would incur increased out-of-pocket expenses if they continue to use these drugs. Discussion followed. This item was informational only and required no action by the Board.

Annual Flu Shot Clinic

Ms. Allen conveyed staff had made arrangements with UND Family Practice Center to administer flu shots for the annual flu shot clinic on October 18 and 19. However, UND informed staff that its supplier notified them that all organized vaccination clinics should be postponed to late November. Therefore, staff rescheduled the clinic for November 29 and 30. Ms. Allen conveyed there is no indication that UND will receive its order, however, it might be filled in three different installments. Due to the aforementioned factors, staff may have to arrange to conduct this year's clinic on a limited basis subject to the amount of vaccine that is available. This item was informational only and required no action by the Board.

Plan Performance Update

The August surplus projection and affordability analysis for the NDPERS group medical plan was included with the board materials. This item was informational only and required no action by the Board.

MISCELLANEOUS

Proposed Legislation

Included with the board materials were the technical reviews of the proposed legislation from The Segal Company and Deloitte & Touche. Also included was a summary, prepared by staff, of the issues that appeared in those technical reviews, along with staff's recommendation concerning each of the bills and issues. Mr. Collins provided an overview of each of the bills, noting there would be some technical editing of the bills:

Bill #02: This bill would provide that eligible employees who are eligible to participate in the uniform group insurance program at the family rate, who have medical and hospital benefits coverage under a health insurance plan provided to another member of the eligible employee's family who is not insured under the uniform group insurance program, are entitled to receive a monthly payment equal to 60 percent of the family rate; provides that, if eligible employees who are eligible to participate in the uniform group insurance program at the family plan rate elect to participate at the single plan rate and forego family coverage, the eligible employee is entitled to receive a monthly payment equal to one-half of the difference between the family plan rate and the single plan rate provided no member of the eligible employee's family is insured under the uniform group insurance program.

Staff's primary concern was the bill is discriminatory and will increase overall health costs. Staff recommended opposing the bill due to the actuarial effect and administrative problems.

MR. SAGE MOVED TO OPPOSE BILL #02. MS. SAND SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Maichel
Nays: None
Absent: Sagsveen

PASSED

Bill #49: This bill would expand participation in the State of North Dakota's uniform group insurance program by permitting permanent and temporary employees of private sector employers and uninsured citizens of the state to participate in the PERS plan subject to certain conditions. The bill would require federal approval to operate as a governmental plan.

Staff recommended the following: providing 24-months after receiving ERISA waiver for implementation; making individual coverage provision contingent on being able to underwrite; adding a provision for risk adjusted premium for private sector employers; clarifying that premiums for private sector employers are subject to section 26.1-03-17; making final implementation subject to being able to place the plan in the market place. Staff suggested since these provisions maintain actuarial neutrality they would prepare amendments to the bill and offer these amendments to the Legislative Employee Benefits Committee. Staff recommended taking no position on the bill as long as it remains actuarially neutral.

MR. SAGE MOVED TO DIRECT STAFF TO PREPARE AMENDMENTS REFLECTING THEIR RECOMMENDATIONS AND SUBMIT THEM TO THE LEGISLATIVE EMPLOYEE BENEFITS COMMITTEE. MS. SAND SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Maichel
Nays: None
Absent: Sagsveen

PASSED

Bill #50: The bill would expand eligibility for new optional Defined Contribution plan to include all permanent state employees, except supreme or district court judges under PERS or employees of the board of higher education and state institutions under the jurisdiction of the board of higher education who are eligible to participate in an alternative retirement program under NDCC §15-10-17(13).

Staff recommended the following: Adding appropriation for administrative costs; adding authority for separate education initiatives funded from contributions; adding a provision requiring new employees to attend educational meetings prior to enrolling; changing the eligibility date from December 31, 2001 to September 30, 2002; changing the implementation date from January 1, 2002 to January 1, 2003; changing administrative cost assessment method from a percent of investment to a percent of contribution; not including non-classified employees; changing the enrollment date from December 31, 2001 to December 14, 2002; requiring the DC plan to provide disability coverage and to deduct the cost from the employer contribution; changing wording regarding calculation of employer and employee contribution; recommend inclusion of an annual COLA in DB plan of 2% to provide retirees this assurance in the future; develop a plan for the future of this program before additional windows are offered to the National Guard. Discussion followed. Mr. Collins indicated staff would remove the COLA since this issue would be addressed in the Watson Wyatt report.

MR. SAGE MOVED TO APPROVE STAFF'S RECOMMENDATION LESS THE 2% COLA. MS. SAND SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Maichel
Nays: None
Absent: Sagsveen

PASSED

<u>Bill #51:</u> The bill would provide an additional window period allowing non-classified state employees who are currently members of the Defined Benefit plan of PERS to elect to participate in the optional Defined Contribution plan established under NDCC Chapter 54-52.6. The new window period would run from the effective date of the legislation until January 1, 2002.

Staff recommended the following: The election would be for people hired on or before December 31, 2000; changing wording regarding calculation of employer and employee contribution; recommended adding appropriation to bill; not taking a position on the bill.

MR. LEINGANG MOVED APPROVAL OF STAFF'S RECOMMENDATION. MR. SAGE SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Chairman Maichel
Nays: None
Absent: Sand, Sagsveen

PASSED

<u>Bill #71:</u> The bill would make the following changes:

- Increase the benefit multiplier for the Main System from 1.89% to 2.00% for service and prior service.
- Increase prior service retiree benefits by 6%.
- Increase retiree and beneficiary benefits by 6%.
- Provide that early retirement reductions are based from the <u>earlier</u> of age 65 or the Rule of 85.
- Allow a member with spousal consent to name one or more designated beneficiaries other than the spouse for pre-retirement death benefits. The benefit for the non-spouse beneficiaries would be equal to the member account balance.
- Allow the Board to fund the administrative expenses of the §457 program from fines collected from deferred compensation program services providers.
- Require a member to purchase service credit forfeited because of refund of the member contribution account by paying the greater of the actuarial cost of the service or the amount of the refunded member contribution account.
- Allow a member to purchase service credit either on a pre-tax or after-tax basis. The provision will be effective after the receipt of a favorable IRS determination letter.
- Allow the Board to share member information with employers in order to satisfy state or federal laws, the State Retirement and Investment Office, federal and state agencies relating to service providers services or compliance with state and federal laws, and member interest groups approved by the Board, but limited to the member's participation, name and address.

- Make a technical amendment to allow the Board to operate more than one §457 plan.
- Define employee for purposes of the §457 program as an individual who is at least 18 years of age and employed at least 20 hours per week and at least 5 months per year. The term also includes members of the Legislative Assembly.

Staff recommended modifying language on page 5, section 3, regarding how the refund amount is pro-rated.

MR. GUNKEL MOVED APPROVAL OF STAFF'S RECOMMENDATION. MR. LEINGANG SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Chairman Maichel
Nays: None
Absent: Sand, Sagsveen

PASSED

Bill #72: The bill would make the following changes:

- Provides that newly eligible and re-employed employees who are eligible for the optional Defined Contribution plan may elect to participate in that plan within six months of date of employment or the date the employee is first notified of eligibility for the Defined Contribution plan, whichever is later.
- Provides than an optional Defined Contribution plan member who becomes employed by a political subdivision must remain a participant in the optional Defined Contribution plan in order to maintain the continuity of the retirement plan selected by the employee during their entire public career.
- Provides that an optional Defined Contribution plan member who becomes employed by the judicial branch, the board of higher education, an institution under the control of the board of higher education, the highway patrol or a position covered by the Teachers' Fund for Retirement will have their optional Defined Contribution plan membership suspended and they will become a member of the retirement plan of their new employer. If they return to employment covered by the optional Defined Contribution plan, the suspension is ended and they may transfer any available balance from the other plans to the optional Defined Contribution plan under rules adopted by the Board.
- Clarifies that asset transfers from PERS to the optional Defined Contribution plan based on the member contribution account are determined using simple interest.
- Allows members of the optional Defined Contribution plan to rollover assets into the plan from other eligible plans based on rules adopted by the Board.
- Allows the Board to automatically distribute the account balance of terminated former vested participants of the optional Defined Contribution plan if the value of the account is less than $5,000. The member may waive

the automatic distribution by written request to the Board within 30 days after termination.

- Allows the distribution of benefits of a member of the optional Defined Contribution plan upon a finding of total and permanent disability. If a periodic distribution is elected and the disabled member is found to be no longer disabled, the distribution shall cease.

Staff recommended the following: Changing language regarding election date; changing wording regarding calculation of employer and employee contribution; clarifying participation requirement; expanding the language to allow direct transfers from other IRC 401 plans.

MR. GUNKEL MOVED APPROVAL OF STAFF'S RECOMMENDATION. MR. LEINGANG SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Maichel
Nays: None
Absent: Sagsveen

PASSED

Bill #73:
This bill provides that permanent and total disability for supreme court and district court judges is based solely on a judge's inability to perform judicial duties arising out of physical or mental impairment; provides that for Supreme Court and district court judges who do not elect a single life, joint and survivor, level Social Security, or life with 5-year or 10-year retirement payment option, the retirement benefits must be in the form of a lifetime monthly pension with 50 percent of the benefit continuing for the life of the surviving spouse, if any; provides that participants in the judges' retirement system are entitled to receive a two percent post-retirement adjustment in their present monthly benefit beginning January 1, 2002, and again on January 1, 2003; repeals NDCC section 54-52-17.12 relating to post-retirement adjustments for Supreme Court and district court judges.

Staff recommended seeking further clarification to paragraph (a) in NDCC §27-23-03(3).

MR. SAGE MOVED FOR LEGAL COUNSEL TO CLARIFY PARAGRAPH (a) IN NDCC §27-23-03(3) FOR BOARD REVIEW AND APPROVAL. MR. LEINGANG SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Maichel
Nays: None
Absent: Sagsveen

PASSED

Bill #74:
This bill allows contributors to the Highway Patrolmen's retirement system to purchase additional service credit from rollovers from other qualified plans, purchase additional credit for up to four years of active employment in the armed forces of the United States, purchase credit for employer-approved leaves of absence, and purchase additional years of service credit to enable the contributor to qualify for normal retirement; increases the benefit multiplier from 3.40 to 3.60 percent of final average salary for the first 25 years of service; provides a post-retirement increase in the benefit multiplier from 3.40 to 3.60 percent of final average salary; provides an increase for individuals receiving disability retirement benefits of six percent of the individual's present benefits; provides for the determination of beneficiaries under the Highway Patrolmen's retirement system; allows members of the Highway Patrolmen's retirement system to purchase service credit with either pretax or aftertax monies.

Staff had no recommendation.

Bill #75:
This bill allows the PERS Board to use amounts credited to the separate uniform group insurance program fund, in excess of the costs of the administration of the uniform group insurance program to reduce the amount of premium amounts paid monthly by enrolled members of the uniform group insurance program, to reduce increases in premium amounts paid monthly by enrolled members or to provide increased insurance coverage to members, as determined by the Board; provides that retirees who have accepted a periodic distribution from the Defined Contribution retirement plan are eligible for retiree health benefits; provides that premium payment amounts and history for any available insurance coverage are confidential, but the Board may disclose certain information and records to persons or entities to which the Board is required to disclose information pursuant to federal statutes or rules.

Staff had no recommendation. Mr. Collins requested, as a result of the settlement with BCBSND, for Board approval to add language to this bill to transfer the life insurance plan money to the health plan account.

MR. GUNKEL MOVED APPROVAL FOR STAFF TO ADD LANGUAGE TO THIS BILL TO TRANSFER THE LIFE INSURANCE PLAN MONEY TO THE HEALTH PLAN ACCOUNT. MS. SAND SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Maichel
Nays: None
Absent: Sagsveen

PASSED

Bill #76:
This bill directs the PERS Board to establish a dental plan for eligible employees and retirees by July 1, 2002, consisting of two levels of coverage; a preventive and full coverage level. It further provides that the State will pay the cost of the preventive coverage for all eligible employees.

Staff had no recommendation.

Bill #77:
This bill increases the retiree health credit from $4.50 to $5.00.

Staff had no recommendation.

Bill #88:
This bill provides that payments for overtime must be included as wages and salaries for purposes of calculating benefits under the Public Employees Retirement System.

Staff recommended updating the appropriation language. Mr. Collins indicated this changes the definition of "salaries" and "wages" in the Defined Benefit plan. Mr. Collins pointed out that, for administration purposes, it would be beneficial if the language was also changed in the Defined Contribution plan. This would avoid any confusion for payroll administrators.

MS. SAND MOVED APPROVAL FOR STAFF TO MAKE THE LANGUAGE CONSISTENT FOR BOTH THE DEFINED BENEFIT PLAN AND DEFINED CONTRIBUTION PLAN. MR. BAETSCH SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Maichel
Nays: None
Absent: Sagsveen

PASSED

DC Actuary Review (continued)
Mr. Carter rejoined the meeting and reiterated the following alternative benefit structures the Board proposed they review:

Alternative #1
- ✓ The multiplier would change to 2.0, on August 1, 2001 with a 6% ad hoc increase.

- ✓ On August 1, 2003 and August 1, 2004 there would be a 2% ad hoc increase.
- ✓ On August 1, 2005 there would be a 2% automatic COLA feature incorporated.

Alternative #2

- ✓ The multiplier would change to 2.0 on August 1, 2001 with a 6% ad hoc increase.
- ✓ On August 1, 2003 and August 1, 2004 there would be 2% ad hoc increase
- ✓ On August 1, 2005, August 1, 2006 and August 1, 2007 there would be a 2% ad hoc COLA.
- ✓ On August 1, 2007 there would be a 2% automatic COLA feature incorporated.

Mr. Carter indicated for each of the two alternative benefit structures they would project the situation as if there would be: Defined Benefit plan only, Defined Benefit & optional Defined Contribution plan (available only to state employees), Defined Benefit & optional Defined Contribution plan (available to state employees and political subdivisions). For each of the alternative benefit structures there would be three projections for a total of six projections. Mr. Carter indicated they would be prepared to have the results available on or around November 14. Mr. Collins indicated the Legislative Employee Benefits Committee would be meeting on November 9 and the PERS Board would need to review this analysis prior to presenting it to the Committee. Discussion followed. A tentative board meeting was scheduled for the day prior to the Legislative Employee Benefits Committee to review the analysis from Watson Wyatt.

MR. GUNKEL MOVED FOR WATSON WYATT TO PROCEED WITH THE ADDITIONAL REVIEW. MR. SAGSVEEN SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel
Nays: None

PASSED

Actuarial Audit

The PERS plan periodically conducts an actuarial audit to determine that the actuarial reports are being completed in a sound manner. The previously conducted audit was approximately six or seven years ago. The goal has been to complete an actuarial audit every five to ten years. As a result of the Defined Contribution work that was completed, Watson Wyatt has done a significant amount of the work of an actuarial audit. Staff requested from Watson Wyatt the possibility of taking the work already completed and using it to conduct an actuarial audit of the PERS plan, if it would potentially reduce the cost. Discussion followed. Mr. Collins conveyed there does not seem to be a cost benefit to PERS to advance the timing on the actuarial audit. This item was informational only and required no action by the Board.

NASRA Fax

Included with the board materials was the NASRA Fax that is produced periodically by the Washington office of National Association of State Retirement Administrators, and provides information on activities occurring in the retirement area at the federal level. This item was informational only and required no action by the Board.

Certificate of Achievement

NDPERS was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association for this year. The award recognizes the outstanding work that is being done in our financial area, as well as, the quality of the reporting that is provided. Mr. Collins indicated Sharon Schiermeister was responsible for preparing the financial statements and submitting the application for this award. This item was informational only and required no action by the Board.

Appeal

Chairman Maichel indicated the appeal has been rescheduled for the October board meeting.

Next Board Meeting

The next meeting of the PERS Board was scheduled for October 26, 2000 at 8:00 a.m.

DC Plan

Mr. Collins indicated that when the DC plan was implemented the Legislature directed that if an employee elected to go into the DC plan, their election should not affect a member's right to health benefits or retiree health benefits. Two issues that are part of the DB plan and relate indirectly to the retiree health plan are: 1) ability to purchase sick leave; and 2) ability to purchase time. The benefit of these purchases is that a member will increase their years of service for determining their benefit in the DB plan and the retiree health credit program. Mr. Collins conveyed the question has arisen if a member could purchase service and sick leave in the DC plan to enhance their benefit for the retiree health credit. Discussion followed. Mr. Miller indicated that since the statute is not clear the Board would need to make a determination and may wish to consider adding wording to the proposed legislation to clarify this point. Mr. Collins conveyed that if it is decided not to allow these purchases, the issue of providing service credit for past years should be considered. Staff recommended to not allow purchases in the DC plan and to add wording to the legislation to clarify this issue. Also add wording to the proposed legislation not to grant services in cases covered pursuant to

Administrative Rule 71-06-01-08. This would make the position of the Board consistent relating to granting service credit. Discussion followed.

MS. SAND MOVED NOT TO ALLOW MEMBERS OF THE DEFINED CONTRIBUTION PLAN THE OPPORTUNITY PURCHASE SERVICE CREDIT AND SICK LEAVE. MR. SAGE SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel
Nays: None

PASSED

MR. SAGSVEEN MOVED APPROVAL FOR STAFF TO DRAFT A PROPOSED ADMINISTRATIVE RULE AMENDMENT FOR SECTION 71-06-01-08 AND SUBMIT IT TO THE BOARD AT THE NEXT MEETING. MS. SAND SECONDED THE MOTION.

Ayes: Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel
Nays: Baetsch

PASSED

Chairman Maichel called for any other business or comments. Hearing none, the meeting was adjourned at 11:40.

Prepared by,

Kim Humann
Administrative Assistant